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August 27, 2004

via hand delivery

Director Pat Miller
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Petition of Chattanooga Gas Company for Approval of Adjustment of its
Rates and Charges and Revised Tariff
Docket No.. 04-00034
Late Filed Exhibit

Dear Director Miller,

This letter is written in response to the FERC order of January 2, 1991 filed by Chattanooga Gas Company ("CGC") on August 26th after closing arguments were completed in this matter. First, the Consumer Advocate notes that FERC's order of January 2, 1991 provided by CGC establishes that the FERC granted a flotation cost of only 2 basis points.

"For this seventh annual proceeding, the Commission [FERC] concludes that during the 12 months beginning February 1, 1991, the [dividend] growth rate will be 4.3 percent and the appropriate flotation cost adjustment factor is 0.02 percent." [FERC Order, Page 1, "Summary"]

The Consumer Advocate further notes that "0.02" percent amounts to just 2 basis points, only one-fifteenth (1/15) of the 30 basis points adjustment advocated by Dr. Morin:

“Total flotation costs amount to....approximately 30 basis points, depending on the magnitude of the dividend yield component. To illustrate, dividing the average expected dividend yield of around 5.0% for utility stocks by 0.95 yields 5.3%, which is 30 basis points higher.” [Morin, Direct Testimony, page 42, lines 4-9]

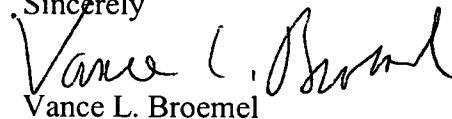
The Consumer Advocate further notes that the dividend growth rate 4.3% referred to in the FERC order is substantially below the Value Line dividend growth rates advocated by Dr. Morin (7.3%) and nearly identical to the dividend growth rate advocated by Dr. Brown (4.68%)

In addition, the Consumer Advocate notes that FERC’s order of January 2, 1991 dealt with companies that were “predominantly electric” rather than gas utilities:

“(1) The utility is predominantly electric” [FERC Order, Page 4, Top of Page]

Furthermore, the Consumer Advocate notes that FERC’s order is over 13 years old.

Sincerely

A handwritten signature in black ink, appearing to read "Vance L. Broemel", written over the printed name.

Vance L. Broemel

Assistant Attorney General

(615) 741-8733

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been served via the methods indicated on this 22 day of August, 2004, to the following:

Via first-class U.S. mail, postage prepaid:

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Atlanta, GA 30302-4569

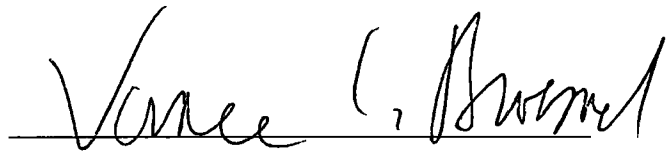
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Via facsimile:

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A handwritten signature in black ink, reading "Vance L. Broemel", written over a horizontal line.

VANCE L. BROEMEL

Assistant Attorney General